ACCREDITED INSURANCE (UK) LIMITED

Previously R&Q Program Limited & Accredited R&Q Limited

Annual Report and Financial Statements
31 December 2024

Registration Number: 14832445

Company Information

Directors	Peter David Allen - appointed 24 January 2024 Paul Edward Glen - appointed 24 January 2024 Stuart Forbes McMurdo - appointed on 11 February 2025 Lee Curtis - appointed on 27 April 2023, resigned on 3 January 2025 Colin Johnson - appointed on 27 April 2023, resigned on 30 August 2024
Company Secretary	Program Management Services UK Limited
Registered Number	14832445
Registered Office	71 Fenchurch Street London United Kingdom EC3M 4BS
Auditor	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf, London United Kingdom E14 4HD

Strategic Report

The Directors present their Strategic Report of Accredited Insurance (UK) Limited (the "Company"), previously known as R&Q Program Limited and then as Accredited R&Q Limited, for the year ended 31 December 2024.

Principal activities

The Company's principal activity is that of carrying out non-life general insurance business in the United Kingdom in accordance with authorisation obtained from the Prudential Regulation Authority ('PRA') on 9 August 2024 (see Note 1 for details on classes of business).

Business review

The Company, through its licence to write certain non-life classes of business in the United Kingdom ('UK'), is a specialist capacity provider for UK program management business, operating through agreements with Managing General Agents ('MGAs') and ceding a significant proportion of its exposures to high quality rated reinsurers. The Company forms part of the Accredited Group, which also operates in the UK through a UK Branch of Accredited Insurance (Europe) Limited ("AIEL"), registered and domiciled in Malta. The intention of the Accredited Group is to have the Company focus mainly on the underwriting of UK retail risks. The company entered into two MGA agreements in 2024, only one of which started writing business before year-end. The program in question covers direct motor insurance business, which was also reinsured externally on both a proportional and non-proportional basis.

Gross written premiums for the year amounted to £3.8m (2023: £nil) while gross earned premium amounted to £0.2m (2023: £nil). There were gross claims incurred of £0.2m (2023: £nil) during the year under review. Net earned premiums amounted and net claims incurred were both negligible.

The Company's investment portfolio generated a net investment return for the year of £0.2m (2023: £nil). This result is mainly attributed to net fair value gains on debt securities of £0.1m (2023: £nil) and interest income of £0.1m (2023: £nil) on those same debt securities.

The year also saw the material conclusion of a period of significant operational change at the Accredited Group level, driven by a number of different overarching projects aimed at automating and improving the Company's core operational systems, which have achieved efficiencies within the Company's main workstreams.

Net operating expenses for the year amounted to £2.96m (2023: £nil), driven mainly by recharges from entities under common control. The relatively high expense base compared to the underwriting volume was driven by the costs incurred to separate the Accredited Group from the R&Q Group, as well as the continued investment in growing the program business. The Directors expect that the growth in program business anticipated over the coming years will outpace the expected cost base of the Company.

These factors resulted in a loss before tax for the year of £2.8m (2023: £nil), despite a break-even program technical result.

Strategic Report - continued

Sale of Accredited

On 4 April 2023, R&Q announced that it was undertaking a strategic initiative to separate its legacy insurance business, R&Q Legacy, from its program management business, Accredited (which includes the Company, Accredited Insurance (Europe) Limited, Accredited Specialty Insurance Company US, Accredited Surety and Casualty Company, Inc. US). On 20 October 2023, R&Q announced that it had entered into a conditional agreement with funds advised by Onex Corporation (“Onex”) to sell 100 per cent of the equity interest in Randall & Quilter America Holdings Inc., the holding company of Accredited, for a purchase price of $465 million, which represented an expected equity value of approximately $438 million when adjusted for Accredited’s existing debt commitments. Additionally, a portion of the anticipated closing purchase price was allocated to indemnify the outstanding amount of the Company’s intercompany loan owed by R&Q plus any unpaid interest.

Alongside the sale process, the legal reorganisation was completed in June 2023. On completion of the legal reorganisation, AM Best recognised Accredited as having an independent rating unit with a financial strength rating of ‘A-’ (Excellent).

On 13 June 2024, R&Q announced that Onex provided an alternative transaction structure to that of the original Sale (the "Alternative Proposal") that could be implemented in the event that the closing conditions to the original Sale were not able to be satisfied, and on 19 June 2024, the R&Q concluded that the Alternative Proposal represented the best option to secure value and to ensure the completion of the Accredited sale.

On 21 June 2024, the ultimate parent company, R&Q Insurance Holdings Ltd, filed for provisional liquidation in Bermuda and implemented the sale of Accredited to Onex through that process.

On 28 June 2024, 100% of the equity interest in Accredited, including the Company, was sold to Onex Partners, for a cash consideration of $420 million.

On 1 July 2024, AM Best confirmed that the financial strength rating of the Accredited companies remained unchanged at ‘A-’ (Excellent) following the acquisition by Onex. Whilst the Company forms part of this Accredited Group, as a standalone newly registered entity, the Company is not yet included in this process.

Future developments

The following points summarize future developments for the Company:

- The Company continues to work towards a number of strategic partnerships with key reinsurers to support its business growth. The market environment remains attractive to the Company as it continues to see a high volume of opportunities as MGAs and reinsurers seek long-term relationships in this arena.

- The combination of reduced capacity and reinsurer desire to access the direct risk market has led to a strong pipeline of opportunities that will provide a steady renewable stream of income with a risk exposure in line with the Company’s risk appetite.

- The Company is expected to be able to significantly increase its volume of program business, justifying expectations of continued strong growth prospects with the increasing number of MGA agreements expected to be entered into.

- The Company continued to pursue business in this niche area and have actively followed this through with a commitment to support high quality program business. In the coming years, the Company is expected to secure new MGA business and strengthen existing MGA relationships and expects to continue with this strategy for the foreseeable future.

Strategic Report - continued

Principal risks and uncertainty

Management carefully selects and implements underwriting strategies which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. The future development of claims is an aggregation of a large number of contingent events, the financial impact of which cannot be determined in advance. The models that management use in its analysis, in part, rely on the assumption that claims will emerge in the future as they have emerged in the past. While management have attempted to quantify the effects of changes in future claims development from that in the past, actual development may differ from such estimates. These differences may come about for a number of reasons including changes in the social, legal, political or technological environment. Further information on the risks facing the Company can be found in Note 4 - Management of insurance and financial risk.

Streamlined Energy and Carbon Reporting (SECR)

The Company is not subject to SECR as it does not meet the prescribed size criteria.

This Strategic Report was approved for issue by the Board and signed on its behalf on 28 March 2025 by:

Stuart McMurdo	Peter Allen
Director	Director

Directors' Report

The Directors present their Directors' Report and the audited financial statements of Accredited Insurance (UK) Limited (the "Company"), previously known as R&Q Program Limited and then as Accredited R&Q Limited, for the year ended 31 December 2024.

Results and dividends

The results for the year are set out in the Statement of Profit and Loss and other Comprehensive Income on pages 7 and 8. A review of the Company's business activities and any likely future developments can be found in the Strategic Report.

The loss for the year before taxation amounted to £2.8m (2023: £nil). The Directors do not propose the payment of a dividend in respect of the year ended 31 December 2024 (2023: £nil).

On 7 August 2024, the Company received a capital injection of £14.5m from the immediate shareholder in anticipation of the Company starting to trade.

Statement of Directors' responsibilities for the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:
- select suitable accounting policies for the Company's Financial Statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Company continues to make endeavours to ensure that it complies with the requirements of the PRA as well as those of the Accredited Group as a whole, and to exceed these where it deems necessary to ensure that high standards are met in this area.

Actuarial Function

The Company engages the services of a Group company, Program Management Services UK Limited, as the internal actuarial function holder.

Directors' Report - continued

Directors

The Board meets regularly, at least on a quarterly basis, to review the performance to date and to assess the position of the Company at that time. The members are a mix of appointees of the shareholders, together with independent members who bring with them international experience in various areas of the business. During the quarterly meetings, senior officials of the Company make detailed presentations to the Board members for their evaluation and assessment of performance and progress. All members of the Board are circulated with the same level of management information including detailed quarterly financial performance reports, investments reports, actuarial reports, compliance reports as well as other key performance indicators together with the minutes of the meetings.

The Directors of the Company who served during the year were:

Peter David Allen - appointed on 24 January 2024
Paul Edward Glen - appointed on 24 January 2024
Stuart Forbes McMurdo - appointed on 11 February 2025
Lee Curtis - appointed on 27 April 2023, resigned on 3 January 2025
Colin Johnson - appointed on 27 April 2023, resigned on 30 August 2024

Events after the reporting date

There were no material events affecting the Company which occurred after the reporting date.

Going Concern

The Directors are satisfied, after considering the financial position of the Company as at year end, the Company's operational performance as well as future business plans, that they have reasonable expectation that the Company has adequate resources and a strong business strategy to continue its operations for the foreseeable future.

The Directors have therefore adopted this position as a basis for the preparation of these financial statements.

Auditor

The Company's auditor is PKF Littlejohn LLP. PKF Littlejohn LLP has signified its willingness to continue in office as Auditors. Pursuant to section 487 of the Companies Act 2006, the Auditors are deemed reappointed and therefore PKF Littlejohn LLP will continue in office as Auditors of the Company.

These financial statements were approved for issue by the Board and signed on its behalf on 28 March 2025 by:

Stuart McMurdo	Peter Allen
Director	Director

Registered office

71 Fenchurch Street
London
United Kingdom
EC3M 4BS

Statement of Profit and Loss and other Comprehensive Income

Technical Account
For the year ended 31 December

	Notes	2024 £	2023 £
Earned premiums, net of reinsurance			
Gross premiums written	3	**3,777,981**	-
Outward reinsurance premiums	3	**(3,354,719)**	-
Net premiums written		**423,263**	-
Changes in gross provision for unearned premiums	13	**(3,594,966)**	-
Changes in gross provision for unearned premiums reinsurers' share	13	**3,193,218**	-
Earned premiums, net of reinsurance		**21,515**	-
Other technical income		**7,321**	-
Total technical income		**28,836**	-
Claims incurred, net of reinsurance			
Claims paid			
– gross amount	13	**(892)**	-
– reinsurers' share	13	**758**	-
		(134)	-
Change in the provision for claims			
– gross amount	13	**(162,938)**	-
– reinsurers' share	13	**138,498**	-
		(24,441)	-
Claims incurred, net of reinsurance		**(24,575)**	-
Net operating expenses	5	**(21,876)**	-
Total technical charges		**(46,451)**	-
Balance on the technical account for general business		**(17,615)**	-

Statement of Profit and Loss and other Comprehensive Income

Non-Technical Account
For the year ended 31 December

	Notes	2024 £'000	2023 £'000
Balance on the technical account for general business		**(17,615)**	-
Investment income	6	**206,274**	-
Net operating expenses	5	**(2,955,942)**	-
Loss before tax		**(2,767,283)**	-
Income tax credit	7	**691,821**	-
Loss for the financial year		**(2,075,462)**	-
Total comprehensive expense for the year		**(2,075,462)**	-

There were no components of other comprehensive income in the current period.

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position
As at 31 December

	Notes	2024 £	2023 £
Assets			
Investments	8	**14,406,911**	-
Reinsurers' share of technical provisions	13	**3,331,716**	-
Deferred acquisition costs	14	**431,396**	-
Deferred tax assets	12	**691,821**	-
Debtors	9	**3,139,005**	-
Cash at bank and in hand	15	**2,019,164**	1
Total Assets		**24,020,012**	1
Equity and Liabilities			
Capital and Reserves			
Share capital	11	**14,500,000**	1
Profit and loss account		**(2,075,462)**	-
Total Equity		**12,424,538**	1
Liabilities			
Technical provisions	13	**3,757,905**	-
Creditors	10	**7,837,569**	-
Total Liabilities		**11,595,474**	-
Total Equity and Liabilities		**24,020,012**	1

The accompanying notes are an integral part of these Financial Statements.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of Financial Statements.

The Financial Statements on pages 7 to 30 were authorised for issue by the Board on 28 March 2025 and were signed on its behalf by:

Stuart McMurdo
Director

Peter Allen
Director

Registration Number: 14832445

Statement of Changes in Equity

	Share capital £'000	Profit and Loss Account £'000	Total Equity £'000
Balance as at 27 April 2023	-	-	-
Transactions with owners			
Issue of share capital (Note 11)	1	-	1
Total transactions with owners	1	-	1
Balance as at 31 December 2023	**1**	**-**	**1**
Balance as at 1 January 2024	1	-	1
Total comprehensive expense for the year			
Loss for the year	-	(2,075,462)	(2,075,462)
Total comprehensive expense for the year	-	(2,075,462)	(2,075,462)
Transactions with owners			
Issue of share capital (Note 11)	14,999,999	-	14,999,999
Total transactions with owners	14,999,999	-	14,999,999
Balance as at 31 December 2024	**14,500,000**	**(2,075,462)**	**12,424,538**

There were no components of other comprehensive income in the current period.

The accompanying notes are an integral part of the Financial Statements.

Notes to the Financial Statements

1 Reporting entity

The Company was incorporated to carry out business of general insurance in the United Kingdom. On 9 August 2024, the Company obtained authorisation from the Prudential Regulation Authority and the Financial Conduct Authority to carry out business of insurance within the following classes of general insurance business:

- Accident;
- Land Vehicles;
- Goods in Transit
- Fire & Natural Forces;
- Damage to Property;
- Motor Vehicle Liability;
- General Liability;
- Suretyship
- Miscellaneous Financial Loss; and
- Legal Expenses.

The Company is a private company, limited by shares and is incorporated and domiciled in England. The address of its registered office is 71 Fenchurch Street, London, EC3M 4BS.

2 Basis of preparation

2.1 Statement of compliance

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103 - Insurance Contracts (FRS 103), and the Companies Act 2006. The Company's financial statements are prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Financial Statements and Reports) Regulations relating to insurance groups.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Statement of Financial Position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company statements.

2.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity, certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) as it is a member of a group where the parent of the group prepares publicly available consolidated financial statements which include the Company. Accredited International Insurance Group Inc (Delaware), is the company in which the results and financial position of the Company are consolidated. Group Financial Statements can be obtained from 71 Fenchurch Street, London, EC3M 4BS.

Notes to the Financial Statements – *continued*

2 Basis of preparation – *continued*

2.2 Exemptions for qualifying entities under FRS 102 - *continued*

The Company has therefore taken advantage of the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Related party disclosures

2.3 Basis of measurement

Historical cost convention

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When estimating the fair value of an asset or liability, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Going concern

The financial statements have been prepared under the going concern concept, which assumes the Company will have sufficient funds to continue to pay its debts as they fall due and thus continue to trade. In assessing whether the going concern concept is appropriate, the directors consider current and forecast solvency and liquidity positions for the next 12 months and beyond as well as the results of stress testing and scenario analysis.

2.5 Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional and presentation currency is Great British Pounds (GBP, £).

2.6 Use of estimates and judgements

The preparation of Financial Statements in conformity with FRS 102 and FRS 103 requires management to use certain critical judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements – *continued*

2 Basis of preparation – *continued*

2.6 Use of estimates and judgements - *continued*

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing the financial statements which are difficult, subjective or complex to a degree that would warrant their description as critical are the estimates of the ultimate liability arising from claims made under insurance/reinsurance contracts and the subsequent recoveries from reinsurers.

Unpaid claims reserves (claims provision) are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. For contracts where the Company has the right to pursue third parties for payment of some or all costs (for example subrogation), estimates of such recoveries are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables (debtors) when the liability is settled.

There is always uncertainty associated with the estimation of ultimate liability arising from claims made under insurance/reinsurance contracts. Future development can and does differ from past experience. These include, but are not limited to:

- Future claims being higher than expected due to random fluctuation (i.e. statistical deviation from the mean of the distribution);
- Future claims being higher than expected due to external impacts (motor reserves are relatively long-tailed and volatile being subject to financial risks such as inflation and changing discount rates as well as adverse judicial decisions);
- Reserve model error (i.e. over reliance on optimistic business plan assumptions or benchmarks where data is scanty);
- Non-performance of reinsurers (to the extent that reinsurers will not / cannot pay, net reserves may be under-stated); and
- Future premium cashflows being incorrectly calculated (MGAs net settle claims against premiums making premium payable/receivable amounts uncertain).

3 Significant accounting policies

3.1 Foreign currency transactions

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to GBP at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within ‘investment income’ or ‘investment expense’. Translation differences on financial assets and liabilities held at fair value through profit and loss, are reported as part of the fair value gain or loss.

3.2 Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to amortisation and/or assets not yet available for use are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.2 Impairment of non-financial assets - *continued*

the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax, obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

The impairment loss is recognised in the profit and loss unless the asset has been revalued, in which case the impairment is recognised in 'Other comprehensive income' to the extent of any previously recognised revaluation surplus. Thereafter, any remaining impairment loss would be recognised in profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, only to the extent that the revised carrying amount does not exceed the carrying amount had no impairment loss been recognised in prior periods. Reversals of an impairment loss is recognised immediately in the profit and loss – the specific line depending on where the original impairment loss was booked.

3.3 Financial assets

In applying FRS 102, the Company has elected to apply the recognition and measurement provisions of IFRS 9 – Financial Instruments.

Classification

On initial recognition, under IFRS 9, a financial asset is classified as measured at amortised cost, FVOCI (fair value through OCI) or FVTPL (fair value through profit and loss). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

For the purposes of the SPPI assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Company's loans and other receivables (where applicable) and cash at bank and in hand (comprising mainly of deposits with credit institutions) are measured at amortized cost as they meet both of the above criteria. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.3 Financial assets - *continued*

Company's investments in debt instruments, equity instruments and collective investment schemes are designated as measured at FVTPL to match the effects of insurance technical movements which are recorded in the profit and loss account. These investments are managed on a fair value basis and held to back insurance liabilities, movements in the value of which are recorded in the profit and loss account.

Recognition and measurement

The Company recognizes deposits with financial institutions and loans and borrowings on the date on which they are originated. All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets. Financial assets are de-recognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit and loss account. In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets at fair value through profit and loss are subsequently re-measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit and loss. Financial assets are carried at amortised cost using the effective interest method, less any provision for impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Company has access to at that date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Impairment of financial assets at amortised cost

The Company recognises loss allowances for ECL (expected credit losses) on financial assets measured at amortized cost. Loss allowances are measured at an amount equal to lifetime ECL,

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.3 Financial assets - *continued*

unless the credit risk has not increased significantly since initial recognition, in which case the amount recognised is 12-month ECL. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data: -

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loss allowances for ECL on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

3.4 Financial liabilities

All financial liabilities are measured at amortised cost using effective interest method. The amortised cost of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of the effective interest rate includes transaction costs and fees and points paid that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the issue of a financial liability.

Interest expense, calculated by applying the effective interest rate to the amortised cost of the liability, and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.4 Financial liabilities - *continued*

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method

3.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.6 Cash in hand or at bank

Cash in hand or at bank comprise deposits held at call with banks or financial institutions.

3.7 Share capital

3.7.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.7.2 Dividend distribution

Dividends on ordinary shares are recognised as a liability in the period in which they are declared by the directors and approved by the shareholders. These amounts are recognised in the statement of changes in equity.

3.7.3 Shareholders’ contribution

Contributions made by the Company’s shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the shareholders and that are not subject to any restrictions or the fulfilment of any conditions or requirements on the part of the Company are treated as equity rather than liabilities

3.8 Insurance contracts

The Company issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance/Reinsurance contracts – General business

- *Insurance contract premiums*

  Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in previous accounting years. Premium is disclosed before the deduction of brokerage and taxes or duties levied on them.

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.8 Insurance contracts - *continued*

The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit and loss in order that revenue is recognised. Under FRS 103, all assets and liabilities arising from an insurance contract are to be treated as monetary items. Provision for unearned premiums are therefore valued at closing exchange rates at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit and loss.

- *Acquisition costs*

  Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting financial year and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues. Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rates at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit and loss.

- *Reinsurance premiums ceded*

  Reinsurance premiums ceded comprise premiums on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

- *Claims incurred and claims provisions*

  Claims incurred are defined as those claims transactions settled up to the reporting date including internal and external claims settlement expenses allocated to those transactions. Unpaid claims reserves (claims provision) are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. For contracts where the Company has the right to pursue third parties for payment of some or all costs (for example subrogation), estimates of such recoveries are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables (debtors) when the liability is settled.

- *Unexpired risk provision*

  A provision for unexpired risks is made where claims and related expenses arising after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. These methods generally involve projecting the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business accepted and the underlying terms and conditions.

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.8 Insurance contracts - *continued*

The results for general business

The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

i. Given the nature of the business, unearned premiums represent the proportion of program premium written in the year, that relate to unexpired terms of policies in force at the statement of financial position date, calculated on a time apportionment basis.
ii. Commissions and other acquisition costs that vary with and are related to securing new contracts are expensed when incurred, in line with the premium recognition.
iii. Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) or not enough reported (IBNER) and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for recoveries or subrogation.

As described, provision is made at the period-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company together with statistical analysis for estimating the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Due to the timing of the receipt of borderaux from MGAs and the tight regulatory deadlines within which the Company’s statutory financial statements and regulatory reports are required to be submitted, program borderaux data is booked one month in arrears.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within debtors), as well as longer term receivables (classified within reinsurers’ share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit and loss and other comprehensive income. The Company gathers objective evidence that a

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.8 Insurance contracts - *continued*

reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Receivables and payables related to insurance/reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders, brokers and reinsurers. If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit and loss and other comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets in Note 3.3.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related Deferred Acquisition Costs (DAC) assets. In performing these tests, current best estimates of future contractual cash flows as well as claims handling and administration expenses are used. Any deficiency is immediately charged to profit and loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision as described above). Any DAC written off as a result of this test cannot subsequently be reinstated.

3.9 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate.

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the Financial Statements – *continued*

3 Significant accounting policies - *continued*

3.10 Current and deferred tax – *continued*

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.12 Investment return

Investment return includes dividend income, interest income from financial assets, net fair value movements on financial assets at fair value through profit and loss and rental income where relevant. It is presented net of investment expenses and charges.

Dividend income is recognised in the statement of profit and loss and other comprehensive income as part of investment income when the right to receive payment is established.

Interest income is recognised on an accruals basis, as are investment expenses.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account of the investment return on investments supporting the insurance technical provisions.

3.13 Net operating expenses

Net operating expenses are taken into account on an accrual basis. These expenses mainly include the costs of service companies within the same group to which the Company belongs.

4 Management of insurance and financial risk

The Company is a party to contracts that transfer insurance and/or financial risks. This section summarises these risks and the way that the Company manages them.

4.1 Insurance risk

The very nature of insurance business is that insurers are exposed to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main insurance risks which affect the Company are:

Notes to the Financial Statements – *continued*

4 Management of insurance and financial risk - continued

4.1 Insurance risk - *continued*

- Underwriting risk – the risk that there is inappropriate or substandard underwriting activity.
- Pricing risk – the risk that the risk premium charged by the Company is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.
- Claims risk – a series of claims in respect of a latent liability that the insurance industry is not currently aware of.
- Reinsurance risk – the risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover.
- Legal risk – changes in statute or legal precedent.
- Reserving risk – the risk that the provisions established by the Company prove to be inadequate.

The Company's underwriting exposures are currently limited to direct motor insurance business written in the UK.

The Company manages these risks in the following manner:

Underwriting risk

The Company's strategy is to underwrite live business, on a fronting basis, with selective exposure to underwriting risk. Underwriting risk is also managed through the purchase of significant quota share insurance on a back-to-back basis from reinsurers who have at least an A- credit rating.

If an insurer does not have this rating level or suffers a downgrade, it will be required to provide the Company with collateral that is at least equivalent to the projected level of technical provisions. The arrangement will only proceed if the Company has sufficient capacity to underwrite the business and the business being underwritten meets strict underwriting guidelines in line with the Company being ultimately on risk. The Company's exposure is further mitigated by the purchase of additional reinsurance including stop loss or Adverse Development Cover ('ADC') contracts.

Pricing risk

A detailed due diligence is performed by experienced in house due diligence team for each MGA under consideration. The due diligence includes an assessment of the MGA's underwriting approach, rating structure and supporting back-office systems. The program management team includes experienced underwriters across a range of classes of business who participate in the due diligence process ahead of on-boarding a new MGA, as well as participating in the auditing and on-going reviews of live programs, utilising their expertise in the assessment of product and pricing suitability. An actuarial evaluation is conducted during due diligence, assessing the business plan's projections and forecasts, which also includes testing the adequacy of projected IBNRs.

Claims risk

Claims are managed by the MGA through a claims handling agreement in most cases. In addition, the Company provides claims oversight through claims audits and regular claims meetings with the MGAs. Large losses and referral trigger points (such as conflict of interest or reputational threats) are referred to the Company for approval; attritional losses and claims payments are monitored through the submitted monthly claims bordereaux. Regular spot checks are also carried out to ascertain accuracy of data and adequacy of reserves. In addition, the Company continues to diversify further its business both in terms of additional portfolios taken over and in terms of the different classes of business entered into.

Notes to the Financial Statements – *continued*

4 Management of insurance and financial risk - continued

4.1 Insurance risk - *continued*

Reinsurance risk

The Company requires at the very least a quota share arrangement that complies with the risk appetite of the Company. Additionally, it seeks downgrade termination provisions and protections against MGA errors and omissions. Moreover, on liability exposures offering high limits, such as under the motor class of business or risks with high accumulations such as those under the property class of business, excess of loss cover is purchased to protect the Company's retained risk (if any) and the quota share reinsurer's portfolio.

Reserving risk

In addition to the reserving methodology in place at the Company on the known claims outstanding, the Company uses the services of internal and external professional actuaries to assist in the determination of the reserves that the Company holds.

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are market risk (including interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

4.2.1 Interest rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through the Board, and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks. Assets and liabilities exposed to interest rate risk and their maturities are analysed below:

	2024				
	Less than 1 year £'000	**1 - 2 years £'000**	**2 - 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Variable Interest Rates					
Cash at bank and in hand	2,019	-	-	-	2,019
Debt securities	11,887	1,762	758	-	14,407
	13,906	1,762	758	-	16,426

Liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and are contractually non-interest bearing.

Notes to the Financial Statements – *continued*

4 Management of insurance and financial risk – continued

4.2 Financial risk - continued

4.2.2 Credit risk

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments, including debt securities
- Cash at bank and in hand
- Reinsurers' share of technical provisions
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from MGAs, intermediaries and other insurers in respect of premium written

The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties, except for exposures with related group companies. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.

Reinsurance transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer/reinsurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder/reinsured. The creditworthiness of reinsurers is monitored annually by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous financial strength of the reinsurer. The Company monitors the reinsurers' credit ratings and that the level of any collateral remains sufficient to cover the projected size of the reserves and IBNR.

The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and on reinsurers' share of technical provisions and subsequent write-offs.

The total assets bearing credit risk are the following:

	2024	2023
	£'000	£'000
Debt securities	**14,407**	-
Reinsurers share of technical provisions (net)	**3,332**	-
Insurance and other receivables	**3,136**	-
Cash at bank and in hand	**2,019**	-
	22,894	-

Notes to the Financial Statements – *continued*

4 Management of insurance and financial risk - continued

4.2 Financial risk - continued

4.2.2 Credit risk - continued

The carrying amounts disclosed above represent the maximum exposure to credit risk. These assets are analysed in the table below (expressed in millions) which includes the A.M. Best Credit Rating composite rating (or equivalent), when available. Unrated financial assets principally comprise insurance and reinsurance receivables for which no recognised rating is available.

	2024				
	AAA	**AA**	**A**	**BBB**	**Total**
	£m	£m	£m	£m	£m
Debt securities	-	-	13.6	0.8	14.4
Reinsurers' share of technical provisions	-	0.5	2.8	-	3.3
Insurance and other receivables	-	3.1	-	-	3.1
Cash at bank and in hand	0.2	-	1.8	-	2.0

A decision to impair an asset is based on the following information that comes to the attention of the Company:

- Significant financial difficulty of the reinsurer, including a long-term downgrade of the reinsurer;
- It becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation; or
- The amount being requested of the reinsurer is being contested and a provision for impairment is taken until such time as the dispute is resolved.

No financial assets are impaired for the year under review.

4.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls. It also seeks to match the duration profile of its investment to the expected duration of its insurance liabilities.

Notes to the Financial Statements – *continued*

5 Net operating expenses

	Year ended 31 December 2024 £	Period ended 31 December 2023 £
Acquisition costs	**3,294**	-
Claims management expenses	**18,582**	-
Administrative and other expenses	**2,955,942**	-
	2,977,818	-
Allocated as follows:		
Technical account	**21,876**	-
Non-technical account	**2,955,942**	-
	2,977,818	-

Non-technical account

Administrative expenses mainly comprise recharges from entities under common control. legal and professional fees, management fees, other general office expenditure and auditor's remuneration of £60,000 (2023: n/a).

6 Investment income

	Year ended 31 December 2024 £	Period ended 31 December 2023 £
Investment income		
Interest received	**118,290**	-
Other fair value gains	**87,984**	-
	206,274	-

Notes to the Financial Statements – *continued*

7 Tax expense

The tax amounts charged/(credited) in the income statement are as follows:

	Year ended 31 December 2024 £	Period ended 31 December 2023 £
Current tax		
- Current year	**-**	-
Deferred tax		
- Current year unutilised taxable losses carried forward	**(691,821)**	-
Tax credit for the year	**(691,821)**	-

	Year ended 31 December 2024 £	Period ended 31 December 2023 £
Loss before tax	**(2,767,283)**	-
Tax calculated at the UK effective rate of tax of 25% (2023: 19%)	**691,821**	-
Tax credit	**(691,821)**	-

8 Investments

The investments relate to investments at fair value through profit and loss by measurement category in the table below.

	2024 £	2023 £
Debt Securities	**14,406,911**	-
	14,406,911	-

The maturities and credit risk exposures of these assets are disclosed in Note 4.2.

All the investments are designated at fair value through profit and loss (see note 3). No expected credit losses are recognized on such investments. All the Company's investments are classified as level 1 in the fair value hierarchy described in note 3.3.

Notes to the Financial Statements – *continued*

9 Debtors

	2024 £	2023 £
Receivables arising from insurance operations	**2,733,870**	-
Other loans and receivables		
Accrued income	**66,167**	-
Other receivables	**335,854**	-
Amounts due from entities under common control	**3,113**	-
	3,139,005	-

Amounts due from group companies are unsecured, interest free and repayable on demand. Other receivables consist of prepayments and other receivables that do not arise directly from insurance business.

10 Creditors

	2024 £	2023 £
Payables arising from outwards reinsurance	**1,764,199**	-
Accruals	**327,974**	-
Reinsurers' share of deferred acquisition costs	**510,485**	-
Trade and other payables	**831,643**	-
Amounts due to entities under common control	**4,403,268**	
	7,837,569	-

Amounts due to group companies are unsecured, interest free and repayable on demand.
Trade and other payables reflect creditors for operating or administrative expenses.

Creditors are expected to be settled within a year.

11 Share capital

	2024 £	2023 £
Authorised and issued share capital		
Ordinary shares of £1 each	**14,500,000**	1
	14,500,000	1

Capital management

For the purpose of the Company's capital management, capital includes share capital and reserves as disclosed in the statement of changes in equity. Given the simple nature of capital items and the absence of any preference shares and borrowings, no active management of the Company's capital is required.

Notes to the Financial Statements – *continued*

12 Deferred tax

	2024	2023
	£	£
Opening net book amount	-	-
Amount recognised in statement of profit and loss (Note 7)	**691,821**	-
Closing net book amount	**691,821**	-

In line with note 3.10, the Company has recognized a deferred tax asset equal to the balance of unused tax losses. The balance of unused tax losses is computed on the basis of a 25% UK tax rate, applied to the losses incurred in 2024.

The Company believes, on the basis of its most recent projections, that future taxable profits will be available in the short term, against which these unused tax losses can be fully utilized.

13 Technical Provisions

	2024	2023
	£	£
Gross		
Short-term insurance contracts		
Claims outstanding		
- Notified claims	**83,500**	-
- Incurred but not reported	**79,438**	-
Unearned premium reserve	**3,594,967**	-
Total technical provisions, gross	**3,757,905**	-
Ceded		
Short-term insurance contracts		
Claims outstanding		
- Notified claims	**70,975**	-
- Incurred but not reported	**67,523**	-
Unearned premium reserve	**3,193,218**	-
Total recoverable from reinsurance	**3,331,716**	-
Net		
Short-term insurance contracts		
Claims outstanding		
- Notified claims	**12,525**	-
- Incurred but not reported	**11,915**	-
Unearned premium reserve	**401,749**	-
Total technical provisions, net	**426,189**	-

No claims development tables are being presented as this is the Company’s first year of operation.

Notes to the Financial Statements – *continued*

14 Deferred acquisition costs

	2024	2023
	£	£
Opening net book amount	**-**	-
Net charge to the profit and loss	**431,396**	-
Closing net book amount	**431,396**	-

The reinsurers' share of deferred acquisition costs is reported as deferred income and included as creditors within insurance and other payables (Note 10).

15 Cash at bank or in hand

Cash at bank or in hand included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2024	2023
	£	£
Cash at bank or in hand	**2,019,164**	1
At floating rates	**2,019,164**	1

The Company earns interest at regular market rates. Cash held by financial institutions on behalf of the Company's investment managers amounted to £0.68m.

16 Statutory information

Accredited Insurance (UK) Limited is a private company, limited by shares and is incorporated and domiciled in England. The Company's immediate parent is Accredited International Insurance Group Inc. The Company forms part of the Accredited Group, the parent company of which is Accredited Insurance Holdings Inc. The ultimate parent company is Onex Raven Holdings Inc, a company incorporated in Delaware.

17 Subsequent events

There were no significant events occurring after the balance sheet date that would have a material impact on the Company's results of operations, financial position and cash flows.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCREDITED INSURANCE (UK) LIMITED

Opinion

We have audited the financial statements of Accredited Insurance (UK) Limited (the 'company') for the year ended 31 December 2024 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included;

- Inspecting and assessing the company's forecasts including evaluating the key inputs and assumptions to the forecasts, which included considering their consistency with other available information and our understanding of the business;
- Reviewing certain aspects of the Solvency and Financial Condition Report to confirm that the company meets the regulatory capital requirements;
- Assessing the financial solvency under stressed conditions through inspection of the company's Own Risk and Solvency Assessment; and
- Assessing the transparency of management's disclosures in the financial statements by comparing them with management's assessment and our knowledge of the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. Materiality is considered the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum
Overall materiality	Being 5% of loss before tax	As this is the company's first operational year, we have referred to the company's ability to manage its expenses and minimise losses as a measure of the company's financial performance and its ability to sustain operations.	£138,300

We use a different level of materiality ('performance materiality ') to determine the extent of our testing for the audit of the financial statements. Performance materiality is based on the audit materiality as adjusted for the judgments made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at £103,700, being 75% of the overall materiality.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £6,900 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the company's activities, the key subjective judgments made by the directors, for example in respect of the significant accounting estimates regarding the insurance contract provisions that involved making assumptions and considering future events that are inherently uncertain, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Explanation	How our scope addressed this matter
Valuation of insurance technical provisions – claims outstanding	Insurance technical provisions – claims outstanding as at 31 December 2024 amounted to £162,938 gross and £24,440 net.	Our work in this area included: • Understanding and assessing the design and implementation of controls over setting of actuarial best estimate liabilities, and challenging whether these controls have the level of precision and clarity to

Key Audit Matter	Explanation	How our scope addressed this matter
Notes 3.8 and 13 to the financial statements	The determination of the value of the insurance technical provisions has a significant impact on the financial results and there is a significant degree of complexity and judgement involved in determining the estimate. Key assumptions made include but are not limited to: expected loss ratios, and estimates of the frequency and severity of claims used to value the liabilities, particularly those relating to the amount and timing of future claims. Given the aforementioned, valuation of insurance technical provisions - claims outstanding was deemed to be the key audit matter.	detect material valuation misstatements. • Understanding and assessing the design and implementation of controls over the completeness and accuracy of claims and premium data from the financial systems underlying the actuarial projections used by the actuaries to set the IBNR reserves. We used our PKF actuarial specialists to assist us in performing the following procedures: • Discussing with the company's directors and internal actuary the rationale behind the methodology and assumptions used in deriving year end provisions; • Evaluating whether the company's actuarial methodologies and assumptions adopted were reasonable using our professional and sector experience and whether they were consistent with those used generally in the industry; • Evaluating the company's reinsurance arrangements, by reviewing the underlying reinsurance contracts, to ensure the reinsurance element of the insurance contract provisions was stated fairly. We performed the following procedures in respect of: • Data accuracy We compared the relevant financial and non-financial claims paid, case reserves and premiums data recorded in the systems to the data used in the actuarial reserve calculations, and tested the accuracy of the data relied on by actuaries on a sample basis. We also reconciled to amounts recorded in the financial statements. • Disclosure We considered the adequacy and transparency of the company's disclosures in respect of the degree of estimation uncertainty and sensitivity to changes in key assumptions in the financial statement note disclosures.

Key Audit Matter	Explanation	How our scope addressed this matter
		Key observations Based on the procedures performed, we found that the valuation of insurance contract provisions – claims outstanding was supported by the evidence obtained.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and application of cumulative audit knowledge and our experience of the insurance sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those that relate to the financial reporting framework (FRS 102, FRS 103 and the Companies Act 2006) and the relevant tax compliance regulations in the UK. Our considerations of other laws and regulations that may have a direct effect on the financial statements included the prudential and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the correspondence between the company and UK regulatory bodies and reviewed the minutes of the Board to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the reporting of events and transactions in the financial statements relating to the valuation of the insurance contract provisions. To address this, we challenged the assumptions and judgments made by management when auditing this significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: identifying of journals to test based on risk criteria and testing the identified journals by agreeing to supporting documentation; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board on 19 December 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods. This is our first year of engagement.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

We have not provided any other professional services to the company that have not already been disclosed in note 5 to the financial statements.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

TCE Seaman

Thomas Seaman (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 17 April 2025